

MEMO

DATE: February 3, 2005

TO: Regional Council

FROM: Community, Economic and Human Development Committee (CEHD)
Ping Chang, Acting Manager, Data and Monitoring, (213) 236-1839, chang@scag.ca.gov

SUBJECT: The State of the Region 2004

SUMMARY:

Staff has completed *The State of the Region 2004* report and a copy of the Executive Summary is included herein. The printed Report and Report Card will be provided at the meeting. A press conference on *The State of the Region 2004* is currently scheduled from 11:00am to 12:00pm, February 3, 2005 at SCAG offices.

BACKGROUND:

Since 1998, SCAG has published a *State of the Region* report every year. Staff has prepared the report under the guidance of the Benchmarks Task Force. The list of current membership of the Benchmarks Task Force is included in Attachment 1.

The *State of the Region* reports annually on a series of indicators about our region's performance. A primary objective is to assist members of the Regional Council as they determine how the region is doing in meeting the goals in the *Regional Comprehensive Plan and Guide*. Information on the region's performance has also been widely disseminated to assist public officials, business and community leaders in understanding and assessing our region's position and progress.

The State of the Region 2004 provides an assessment on how our six-county region performs on issue areas including Population, The Economy, Housing, Transportation, The Environment, Education and Safety. The Report also compares the performance of our region with other large metropolitan regions in the nation. Based on the information prepared by staff, the Benchmarks Task Force also develops a Report Card for our region.

Highlights of *The State of the Region 2004* report are summarized as follows and further discussed in the attached Executive Summary:

- In 2003, the SCAG region continued to grow significantly faster than the rest of the state and the nation, accounting for more than 10 percent of the total population growth in the nation. It also continued its demographic transformation.
- The region achieved a slight increase in total payroll jobs in 2003 while the rest of the nation and almost all other large metropolitan regions continued to suffer job decline. Since 2000, the region has outperformed the rest of the nation and other large metropolitan regions in job growth but with no improvement in household income.

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- Housing construction activities were most active in 2003 since 1990, but housing and rental cost burdens continued to increase with sharp increases in home prices and rents. Housing availability and affordability remain serious challenges to the long-term economic growth of the region.
- The region continued to experience the highest level of congestion among the large metropolitan regions in the nation. There was a continuing decline of carpool share of home to work trips. In 2003, the region experienced a significant increase in highway accident fatalities.
- Air quality worsened, particularly for ozone pollution partly due to weather conditions.
- There were continuing improvements in reducing the rates of violent crimes and juvenile felony arrests. However, there was little improvement in student performance.

The complete Report and Report Card are scheduled to be printed by the end of January 2005 and will be provided at the February 3, 2005 Regional Council meeting.

ATTACHMENT 1**Benchmarks Task Force Membership**

Hon. Ronald O. Loveridge, Mayor, City of Riverside, Task Force Chair
Hon. Debbie Cook, Councilmember, City of Huntington Beach, Task Force Vice Chair
Hon. Paul Bowlen, Councilmember, City of Cerritos
Hon. Mona Field, President, Board of Trustees, Los Angeles Community College District
Hon. Susan Longville, Councilmember, City of San Bernardino
Hon. Llewellyn Miller, Mayor Pro Tem, City of Claremont
Hon. Paul Nowatka, Councilmember, City of Torrance
Hon. Pam O'Connor, Councilmember, City of Santa Monica
Hon. Toni Young, Councilmember, City of Port Hueneme
Rick Bishop, Western Riverside Council of Governments
Kimberly Collins, San Diego State University (Imperial Valley Campus)
Fernando Guerra, Loyola Marymount University
Lee Hanson, California State University, San Bernardino
Dean Kubani, City of Santa Monica Environmental and Public Works
Jerilyn Lopez Mendoza, Environmental Defense
Dowell Myers, University of Southern California
Max Neiman, University of California, Riverside
Paul Ong, University of California, Los Angeles
Todd D. Priest, Building Industry Association of Southern California
Anil Puri, California State University, Fullerton
Ty Schuiling, San Bernardino Associated Governments
Arthur J. Shaw, Consulting Economist
Arnold Sherwood, University of California, Berkeley
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Southern California Association of Governments

THE STATE OF THE REGION

2004

Measuring Regional Progress



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EXECUTIVE SUMMARY

As documented in the State of the Region Reports in the past two years, the SCAG region lost significant ground during the 1990s, particularly in the areas of employment, income, educational attainment and housing affordability. During the same period, Southern California made significant progress in improving air quality and reducing violent crimes. This is based on the comparison of the SCAG region's performance with that of the other large metropolitan regions in the nation. However, during 2001 and 2002, Southern California generally performed a little better (or less worse) than the other large metropolitan regions in the area of employment and income.

The national recession in 2001 and the subsequent jobless recovery hit most other large metropolitan regions much harder than the SCAG region. Between 2000 and 2002, among the nine largest metropolitan regions in the nation, the SCAG and the Washington, D.C. regions were the only two that managed to increase their total payroll jobs. The San Francisco Bay Area and the New York region each lost a quarter million jobs during the two-year period. Though per capita income in Southern California declined for two consecutive years, losses were less severe than in most other large metropolitan regions.

Between 2000 and 2003, the region's population grew significantly faster than the rest of the state and the nation, adding almost 1 million residents. However, the inability to generate and attract more higher-paying jobs than those lost

(particularly in the durable manufacturing and information sectors) has led to stagnant incomes for households in the region. With continuing population growth, housing shortage, and a significant state budget shortfall during 2003, the region continued to struggle in areas such as housing affordability and mobility.

How the SCAG region performed in 2003 is the main focus of this State of the Region Report. Highlights of the Report are summarized as follows:

- In 2003, the SCAG region continued to grow significantly faster than the rest of the state and the nation, accounting for more than 10 percent of the total population growth in the nation. It also continued its demographic transformation.
- The region achieved a slight increase in total payroll jobs in 2003 while the rest of the nation and almost all other large metropolitan regions continued to suffer job decline. Since 2000, the region has outperformed the rest of the nation and other large metropolitan regions in job growth but with no improvement in household income.
- Housing construction activities were most active in 2003 since 1990, but housing and rental cost burdens continued to increase with sharp increases in home prices and rents. Housing availability and affordability remain serious challenges to the long-term economic growth of the region.

- The region continued to experience the highest level of congestion among the large metropolitan regions in the nation. There was a continuing decline of carpool share of home to work trips. In 2003, the region experienced a significant increase in highway accident fatalities.
 - Air quality worsened, particularly for ozone pollution partly due to weather conditions.
 - There were continuing improvements in reducing the rates of violent crimes and juvenile felony arrests. However, there was little improvement in student performance.
1. In 2003, the SCAG region continued to grow significantly faster than the rest of the state and the nation, accounting for more than 10 percent of the total population growth in the nation. It also continued its demographic transformation.

In the year 2003, the SCAG region continued its significant growth with an increase of almost 300,000 people, reaching over 17.7 million. Total growth in the region accounted for 56 percent of the growth in the state and 10 percent of the growth in the nation. Both the numerical increase and the growth rates decreased in the region for the past three years, similar to the trend for the rest of the state. However, since 1998, the region has continued to grow at faster rates than the rest of the state and the nation. In 2003, the top four California counties in total population increase were all in the SCAG region, including Los Angeles, Riverside, San Bernardino and Orange counties. In addition, Riverside County achieved the fastest growth rate in the state, 3.4 percent, while Imperial and San Bernardino counties had the 5th and 6th highest rates respectively.

As to the sources of population growth, 48 percent was due to natural increase, an estimated 41 percent from foreign-immigration, and 11 percent from domestic immigration.

Overall, natural increase contributed much more significantly to the growth in the three coastal counties (Los Angeles, Orange and Ventura) than the three inland counties (Riverside, San Bernardino and Imperial) where net migration played a more important role. While net migration to the coastal counties (particularly Los Angeles) consisted primarily of recent foreign immigrants, net migration to the Inland Empire was primarily domestic migrants. Many domestic migrants to the Inland Empire migrated within the region (i.e. intra-regional migration), particularly from Los Angeles County.

The demographic transformation process in the region continued through 2003 particularly with respect to ethnic composition. Population increases in 2003 continued to be almost exclusively among Hispanics and Asians. During 2002 and 2003, the non-Hispanic White population share fell below half of the total for the first time in Orange and Riverside counties, joining Imperial, Los Angeles and San Bernardino counties.



Finally, the median age of the population in the region continued to rise, though at a slower pace than the rest of the nation.

2. The region achieved a slight increase in total payroll jobs in 2003 while the rest of the nation and almost all other large metropolitan regions continued to suffer job decline. Since 2000, the region has outperformed the rest of the nation and other large metropolitan regions in job growth but with no improvement in household income.

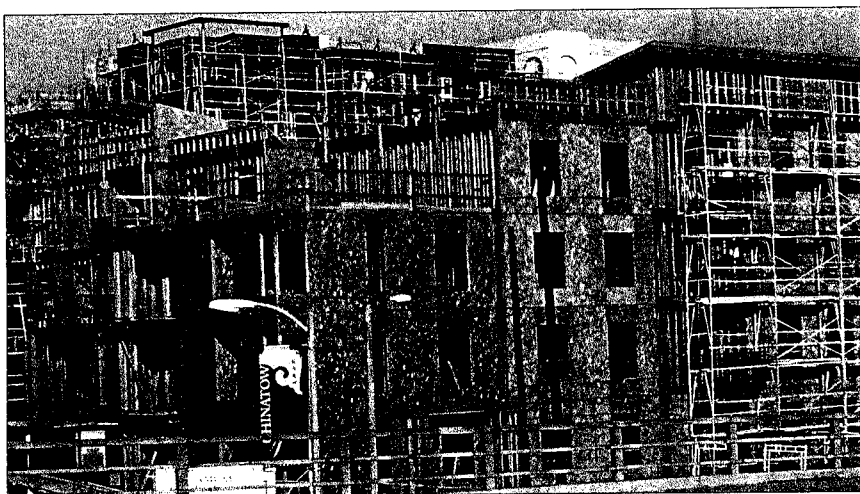
In 2003, the regional employment picture showed slight improvement over the previous year. After losing 21,000 jobs (or 0.3 percent) in 2002, total wage and salary jobs in the region increased by 14,000 (or 0.2 percent) during 2003. While the region experienced a slight increase, the rest of the state and the nation and most other large metropolitan regions continued to suffer job decline since 2001. Between 2000 and 2003, the SCAG region performed better each year in job growth rates relative to the rest of the state, the nation and other large metropolitan regions.

Only four sectors suffered job losses in 2003 including manufacturing, information, transportation, and government. The total loss of about 71,000 jobs in these four sectors was offset by the gain of 85,000 jobs in eight other sectors, particularly in financial, hospitality, construction and health care. Due to a significant state budget shortfall, the government sector's performance reversed from the leading job generator of more than 25,000 in 2002 to a loss of almost 10,000 in 2003.

In 2003, the unemployment rate in the region at 6.2 percent was slightly higher than the national average of 6 percent but lower than the state average of 6.7 percent. Since 1992, the unemployment rate gap between the region and the nation has continuously narrowed. In 2003, the 0.2 percent unemployment rate gap between the region and the nation was the smallest since 1990.

In 2002, the average payroll per job in the region decreased by 0.7 percent from the previous year after adjusting for inflation, following a decline of 0.3 percent in 2001. Based on 2003 preliminary payroll data, sectors with significant job losses in the region, such as manufacturing and information, had higher than average payrolls per job. Hence, average payroll per job in the region was likely to continue to decline in 2003. Since 1992, the average payroll per job in the SCAG region has been declining relative to the average of the 17 largest metropolitan regions. In 2002, the SCAG region's average payroll per job was 91 percent of the average of the 17 largest metropolitan regions, almost the same as the level in 2001.

In 2002 (the most current data available), the region's real personal income per capita (with inflation adjustment) declined by 1.3 percent from 2001. The decline of the real per capita income in the region in 2002 was significantly higher than the 0.2 percent loss in the nation. Nevertheless, the region performed a little better than the average of the nine major metropolitan regions in the nation (-1.8%) and the state average (-2.1%), both of which were impacted by the performance of the San Francisco Bay Area with a 4.4 percent loss in real per capita income. With an improved job market, the region's real personal income per capita in 2003 should



stay at least at its 2002 level following that of the nation and the state.¹ In 2002, per capita personal income in the SCAG region was 85 percent of the average of the 17 largest metropolitan regions, a slight improvement from the previous year. Recent Census surveys indicated that the region experienced no growth in median household income between 2000 and 2003. During the last two decades, the region generally had a slightly higher income inequality than the nation when comparing the household income ratios.

Almost 15 percent of residents in the region lived in poverty in 2003, continuing to be significantly higher than the state and the nation. This was about a 1 percent increase since two years ago. In addition, more than 20 percent of children under 18 lived in poverty in 2003, a 1.7 percent increase since 2001. The region continued to have the highest poverty rate among the nine largest metropolitan regions in the nation.

3. Housing construction activities were most active in 2003 since 1990, but housing and rental cost burdens continued

to increase with sharp increases in home prices and rents. Housing availability and affordability remain serious challenges to the long-term economic growth of the region.

In 2003, the region experienced the largest number of residential building permits issued (78,300 units) as well as the largest increase (10,000 units or 15 percent) in a one year period since 1989. Total valuation of the permits in 2003 reached over \$15.5 billion, the largest annual increase of \$2.3 billion (or 17 percent) since 1987. Despite the continuous increase of permit activities in the past three years, housing construction continued to lag behind population growth. For example, between 2000 and 2003, population in the region increased by almost 1 million. However, during the same period, just over 200,000 building permits were issued. Within the region, there continued to be significant differences between the coastal and inland counties with respect to the share of multi-family housing permits.

While homeownership rates in 2003 increased at both the national and state level, they remained unchanged in the SCAG region. Nationally, the homeownership rate increased slightly from 67.9 percent in 2002 to 68.3 percent in 2003. The homeownership rate in California increased from 57.7 percent to 58.9 percent during the same period. In the SCAG region, however, homeownership rate in 2003 remained at about 55 percent.

Continuing sharp increases during 2003 in home prices and lack of growth in household incomes offset gains from lower interest rates, making housing less affordable. Since 2000, there has been a lack of growth in median household income in the region. However, average home prices in the region continued to reach new highs in 2003 in almost every county.

Between 2001 and 2003, average home prices increased by 25 to 30 percent across the region. In 2003, close to 43 percent of owner households (with a mortgage) in the region had monthly housing costs at or greater than 30 percent of their household incomes, an increase from 39 percent in 2000. With no growth in household income and continuing rent increase, rental cost burden has continued to rise. Among the approximately 8 million renters in the region in 2003, more than 4.2 million renters (or 53 percent) spent 30 percent or more of their income on rent. Among the nine largest metropolitan regions in the nation, the SCAG region continued to have the highest percentage of owner and rental households with monthly housing costs at or greater than 30 percent of household income.

4. The region continued to experience the highest level of congestion among the large metropolitan regions in the nation. There was a continuing decline of carpool share of home to work trips. In 2003, the region experienced a significant increase in highway accident fatalities.

Travelers in Los Angeles/Orange counties during the peak period in 2002 experienced a total of 93 hours of delay per person, again the highest among the major metropolitan areas in the nation. Travelers in Riverside/San Bernardino counties experienced a total of 57 hours of delay, the 5th highest among the major metropolitan areas. Though Los Angeles and Orange counties had the highest congestion level, their level of congestion experienced little increase between 1992 and 2002, while other metropolitan areas experienced much larger increases in their congestion levels.

During the fiscal year ending June 30, 2003, total transit boardings in the region reached almost 660 million based on preliminary estimates. This represented a decline of 2 percent from the previous year. The decline did not include the effect of the Los Angeles County Metropolitan Transportation Authority (MTA) bus labor union strike, resulting in 35 days without transit service in late 2003. Transit trips per capita in the region declined slightly from 38 in 2002 to 37 in 2003, marginally higher than the 1990 level of 36 trips per capita.

Between 2000 and 2003, the average travel time to work remained almost unchanged in the region, state, and the nation. In 2003, the average travel time to work in the region at about 28 minutes continued to be higher than the state (27 minutes) and national (24 minutes) averages. From 2000 to 2003, there was a decrease in the carpooling share (-1.5 percent) and an increase in the share of drive-alone commuting (2 percent) in the region. This was similar to the trend at the national level though the magnitude of changes was a little larger in the region. Between 2000 and 2003, the region's share of public transit usage among work trips remained unchanged at 5 percent.

Between 2002 and 2003, highway fatalities increased significantly (8 percent) in the region while the rest of the nation experienced a slight decline of 1 percent. The total number of fatalities reached 1,815, the highest since 1995. The region's highway accident fatality rate in 2003 was 1.2 persons per 100 million vehicle miles traveled, significantly higher than the national average (0.94 persons per 100 million vehicle miles traveled) for urban areas.

The highway fatality rate in the region in 2003 was also the highest since 1997.

5. Air quality worsened particularly for ozone pollution partly due to weather conditions.

In 2003, partly due to much hotter weather, ozone pollution worsened significantly in the South Coast Air Basin, with no major changes in the other three air basins in the region. In the most populous South Coast Air Basin, the number of days exceeding the federal one-hour ozone standard increased from 49 to 68 days from 2002 to 2003, more than any other air basin in the nation. This followed an increase from 36 to 49 days during the previous period. The number of days for health advisories in the South Coast Air Basin increased from 18 to 36 days from 2002 to 2003. It should be noted that, in the first 11 months in 2004, ozone pollution in the South Coast Air Basin improved significantly, exceeding the federal standard only 28 days.

As to PM_{10} pollution, both the South Coast and Salton Sea air basins continued to exceed the federal annual average standards in 2003. In addition, in 2003, the number of days exceeding the federal 24-hour standard ($150\mu g/m^3$) for PM_{10} increased in all three non-attainment basins including the South Coast, Salton Sea and Mojave Desert. In 2003, the annual average of $PM_{2.5}$ concentration was $24.9\mu g/m^3$ in the

South Coast Air Basin that decreased from the previous year ($27.5\mu g/m^3$), but continued to far exceed the federal standards of $15\mu g/m^3$. Specifically, 12 of the 17 monitoring stations in the basin showed exceedance, ranging from coastal cities to inland valleys.

Finally, the South Coast Air Basin continued to have no violation for carbon monoxide in 2003.

6. There were continuing improvements in reducing the rates of violent crimes and juvenile felony arrests. However, there was little improvement in student performance.

Between 2002 and 2003, the violent crime rate in the region declined by almost 6 percent, larger than the 3 percent reduction between 2001 and 2002. However, the region continued to have a higher violent crime rate than the state as a whole. Within the region, reduction of the violent crime rate in 2003 was most significant in Riverside County (-8.6 percent) and Los Angeles County (-6.3 percent). When compared with other metropolitan areas, while Ventura and Orange counties experienced the lowest violent crime rates, Los Angeles County still had one of the highest.

From 2002 to 2003, there was a reduction of about 3 percent in the juvenile arrest rate in the region, compared to the 4 percent decrease at the state level.

Improvement was most significant in Ventura County with 14 percent reduction between 2002 and 2003 after an 11 percent decrease in the previous period. Both Riverside and San Bernardino counties had much higher juvenile felony arrest rates than Los Angeles in 2003, reversing the status of much lower rates than that of Los Angeles County only about a decade earlier. The number of hate crime events and victims in the region decreased by about 12 percent between 2002 and 2003, following a 30 percent reduction during the previous period.

In 2003, 8th graders (graduating class of middle schools) in the region continued to perform below the national median in reading and math test scores except in Orange and Ventura counties. Between 2002 and 2003, there were noticeable declines in reading scores throughout the region relative to the nation and no major changes in math scores.

Between 2002 and 2003, dropout rates for high schools increased significantly in Los Angeles and San Bernardino counties. African American and Hispanic high school students in the region, when compared with their White and Asian peers, had significantly higher dropout rates. As to the percentage of high schools graduates completing courses required for University of California (UC) or California State University (CSU) entrance, while Imperial County made noticeable progress, both Ventura and San Bernardino counties experienced lower performance in 2003. In 2003, there were slight improvements in educational attainment in the region following a similar trend at the national level. Among the nine largest metropolitan regions, the SCAG region remained in last place in the percentage of adults (76 percent) with at least a high school diploma, and second to last for at least a Bachelor's degree (27 percent).

